

### GLOSSARY

This list of terms is intended to include those that have specific meaning to the National Flood Insurance Program (NFIP). In a few instances, standard industry terms have been added for additional focus and emphasis.

**Act**--The National Flood Insurance Act of 1968, Flood Disaster Protection Act of 1973, and the Reform Act of 1994, as amended. The 1994 Reform Act is sometimes referred to as the Riegle amendments to the Act.

**Actual Cash Value**--ACV is calculated as replacement cost at the time of loss less the value of physical depreciation.

**Administrator**--The Federal Insurance Administrator, who is charged with implementing the Federal National Flood Insurance Program (NFIP).

**Agent**--One who solicits, negotiates, or effects contracts of insurance on behalf of an insurer, including a WYO insurer. An agent who produces "direct" business is deemed the agent of the insured, not the Federal Government.

**Base Flood Elevation (BFE)**--The elevation shown on the Flood Insurance Rate Map (FIRM) for Zones AE, AH, A1-A30, V1-V30, and VE that indicates the water surface elevation resulting from a flood that has a 1-percent chance of equaling or exceeding that level in any given year.

**Blanket Insurance**--A single amount of insurance applying to more than one building and/or contents. Blanket coverage is not permitted under the NFIP.

**Building (Eligible Building)**--A building that is separated from other buildings by intervening clear space or solid, vertical, load-bearing division walls; is walled and roofed; is principally above ground and affixed to a permanent site, including a building in the course of construction, alteration, or repair, and a manufactured (mobile) home on a foundation; as well as a building that is located in a participating community and has not been declared by a state or local government to be in violation of its floodplain management requirements. Under the NFIP, only one building may be issued per policy.

**Building in the Course of Construction**--A walled and roofed building that is principally above ground and affixed to a permanent site. It does not include building materials or supplies intended for use in such construction, alteration, or repair unless such materials or supplies are within an enclosed building on the premises.

**Cancellation**--Termination of a contract of insurance by a voluntary act of the insurer or insured effected in accordance with the terms and conditions of the insurance contract or legal mutual agreement. NFIP cancellations with a premium refund to the insured for a 1-year or a 3-year policy are limited to those conditions spelled out in the policy and the *Flood Insurance Manual*.

**Chattel Mortgage**--A mortgage on personal property; the creation of a lien as security on chattel that, for purposes of the NFIP, includes contents items as well as a mobile home.

**Civil Money Penalties**--Administrative sanctions lenders incur if they do not comply with the 1994 National Flood Insurance Reform Act. For a single violation of the statute, the penalty is \$350. No institution can incur more than \$100,000 per year in penalties.

**Coastal Barrier Resources System (CBRS)** -- Communities, coastal barriers, and other protected areas identified by the Department of the Interior legislation.

**Coastal High Hazard Areas**--Special flood hazard areas along the coasts that have additional hazards due to wind and wave action. These areas are identified on Flood Insurance Rate Maps as Zones V, V1-V30, and VE.

**Code of Federal Regulations (CFR)**--Contains regulations initially published in the Federal Register by the executive departments and agencies of the Federal Government.

**Coinurance**--This provision applies to the Residential Condominium Building Association

## Mandatory Purchase of Flood Insurance Guidelines

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Policy (RCBAP) to reduce the loss payment if the insured does not carry coverage equal to at least 80 percent of the replacement cost of the damaged building.

**Community**--A political subdivision that has zoning and building code jurisdictions over a particular area having special flood hazards.

**Community Number**--A 6-digit designation identifying each NFIP community. The first two numbers are the state code. The next four are the FIA-assigned community number. An alphabetical suffix is added to a community number to identify revisions in the FIRM for the community.

**Community Rating System (CRS)**--A program developed by FIA to provide incentives for those communities in the Regular Program that have gone beyond the minimum floodplain management requirements to develop extra measures to provide protection from flooding.

**Compendia of Flood Map Changes**--Every 6 months, the Director publishes separately in their entirety within a compendium, all changes and revisions to flood insurance map panels and all letters of map amendment and letters of map revision for which notice was published in the Federal Register or otherwise provided during the preceding 6 months. The Director shall make such compendia available, free of charge, to Federal entities for lending regulation, Federal agency lenders, and States and communities participating in the National Flood Insurance Program and at cost to all other parties.

**Condominium**--A system of individual ownership of units in a multi-unit building or buildings or in single-unit buildings in which each unit owner has an undivided interest in the common areas of the building(s) and facilities that serve the building(s). The NFIP requires residential condominium structures to be insured under the Residential Condominium Building Association Policy (RCBAP).

**Condominium Association**--A corporation made up of owners of the condominium buildings. The condominium association is responsible for (1) the operation and (2) the adoption and enforcement of rules or by-laws that govern the owners of the condominium buildings.

**Conforming Loan**--A mortgage loan that meets all the requirements (size, type, and age) to be eligible for purchase or securitization by a Government Sponsored Enterprise (GSE).

**Conventional Loan (Financing)**--Real estate mortgage extended by a lender where the loan is not insured or guaranteed by a government agency such as HUD/FHA, VA, or the Farmers Home Administration.

**Cooperative**--A unit owner holds an interest in property by contract or share, but owns no title to the structure itself. The NFIP does not issue a dwelling policy to unit owners. The cooperative corporation, who owns the land and improvements, has the insurable interest in the building and is eligible to obtain a general property form of coverage.

**Deductible**--The portion of an insured loss to be borne by the insured before the insured is entitled to recovery from the insurer. The NFIP applies the deductible separately to the building and contents portion of a loss covered by the Standard Flood Insurance Policy (SFIP). The standard deductible is \$500 for building and \$500 for contents. Other deductible amounts are available, and special deductibles apply to the expense of contents and manufactured (mobile) home removal. (See *Flood Insurance Manual*.)

**Depreciation**--A decline in value of a building or other real estate improvement, resulting from age, physical wear, or functional obsolescence.

**Designated Loan**--A loan secured by a building or mobile home located or to be located in a Special Flood Hazard Area (SFHA) where flood insurance is available under the 1968 Act.

**Determination Review**--An appeal process performed by FEMA to resolve disputes posed by borrowers and lenders/servicers concerning properties found to be in SFHAs. A fee of \$80 is charged, and the request must be signed jointly by the lender or servicer and borrower. Elevation data is not considered. Requestor receives a Letter of Determination Review if structure is found inside or outside an SFHA.

**Director**--The Director of the Federal Emergency Management Agency. Under the notice of servicer provision of the Reform Act,

## Federal Emergency Management Agency

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the Director has delegated the agent of record or the WYO company as the recipient of the notice.

**Dwelling Form**--See Standard Flood Insurance Policy--Dwelling Form.

**Elevated Building**--A non-basement building that has its lowest elevated floor raised above the ground level by foundation walls, shear walls, posts, piers, pilings, or columns.

**Elevation Certificate**--A certified statement that verifies the essential rating information. The information required and the risks subject to these requirements are contained in the Elevation Certificate Section of the *Flood Insurance Manual*.

**Emergency Program**--Typically the first phase under which a community participates in the NFIP. It is intended to provide a first layer amount of insurance at subsidized rates to all insurable structures in that community before the effective date of the initial Flood Insurance Rate Map (FIRM).

**Escrow Requirement**--Under the National Flood Insurance Reform Act of 1994, a mandatory requirement was placed on federally regulated lending institutions to escrow for flood insurance premiums (under certain restrictions).

**Evidence of Insurance**--The NFIP does not recognize an oral binder or contract of insurance. A copy of the Flood Insurance Application, premium payment, and declarations page submitted to the lender is sufficient evidence of proof of purchase.

**Expense Constant**--A flat charge per policy term, paid by the insured to defray the federal government's policy-writing and other expenses. Expense Constants will vary by state.

**Farm Credit Administration**--This federal agency regulates service corporations organized under the Farm Credit Act. FCA regulates approximately 236 lending institutions or servicing entities.

**Federal Agency Lenders**--These include the Small Business Administration, which is subject to the Mandatory Purchase Requirement in the

Reform Act. These agencies, not newcomers to the purchase requirement, were covered by the 1973 Act.

**Federal Deposit Insurance Corporation**--This federal agency regulates state-chartered and insured "nonmember banks," that are not part of the Federal Reserve System. FDIC regulates approximately 6,250 banks.

**Federal Emergency Management Agency (FEMA)**--The federal agency under which the NFIP is administered.

**Federal Home Loan Mortgage Corporation (Freddie Mac)**--This privately owned, Federally chartered agency purchases loans (usually for residential, 1-4 family unit dwellings) from lenders as part of the secondary market. See also GSE.

**Federal Insurance Administration (FIA)**--The Federal entity within FEMA that directly administers the NFIP.

**Federal National Mortgage Association (Fannie Mae)**--This privately owned, Federally chartered agency acts in a similar fashion to Freddie Mac. Together, Fannie Mae and Freddie Mac are the primary investors in the secondary market. See also GSE.

**Federal Policy Fee**--Mandated by the Congress to provide funds to meet those administrative expenses such as Federal floodplain management expenses, the cost of flood insurance risk zone and flood elevation studies, and funds to purchase high-risk properties to remove them from the insurance rolls. This fee is not subject to producers' commissions, WYO Company expense allowances under the Financial Assistance/Subsidy Arrangement, or state or local premium taxes. The Federal Policy Fee is charged for all new and renewal policies.

**Federally Regulated Lending Institutions**--This means any bank, savings and loan associations, credit unions, farm credit banks, Federal land bank associations, production credit associations, or similar institutions subject to the supervision of a Federal entity for lending regulation, such as the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal

## Mandatory Purchase of Flood Insurance Guidelines

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Reserve System (FRS), the Federal Deposit Insurance Corporation (FDIC), the Farm Credit Administration (FCA), and the National Credit Union Administration (NCUA).

**FHBM**--See Flood Hazard Boundary Map.

**Financial Assistance/Subsidy Arrangement**--The agreement entered into between the Administrator and a private sector insurer under the WYO program.

**FIRM**--See Flood Insurance Rate Map.

**Five-Hundred Year Flood (500-Year Flood)** --Areas that have a low to medium risk of flooding. Includes flood Zones B, C, and X. One- to four-unit properties in these zones are eligible for Preferred Risk Policies. A 500-year flood has a 0.2 percent chance of happening in any year. A 500-year flood would be slightly deeper than a 100-year flood and would cover a greater area.

**Flood**--A general and temporary condition of partial and complete inundation of normally dry land areas from the overflow of inland or tidal waters; the rapid accumulation or runoff of surface water from any source; mudslide (i.e., mudflow) defined as a river of liquid or flowing mud; collapse and subsidence of land along lake shores or other bodies of water.

**Flood Hazard Boundary Map (FHBM)**--Official map of a community, issued by the Administrator, where the boundaries of the flood, mudslide (i.e., mudflow), and related erosion areas with special hazards have been designated.

**Flood Insurance Manual (Agent's Manual)**--This manual conveys a comprehensive description of the NFIP for insurance agents, including use of forms when placing business, rating methods, and an explanation of policy rules.

**Flood Insurance Rate Map (FIRM)**--Official map of a community on which the Administrator has delineated both the special hazard areas and the risk premium zones applicable to the community.

**Flood Map Status Subscription Service**--Service through which FEMA sells information

about community status, map effective dates, etc., on diskette or microfiche.

**Floodplain**--Any land area susceptible to being inundated by flood waters from any source.

**Floodplain Management**--The operation of an overall program of corrective and preventive measures for reducing flood damage, including but not limited to, emergency preparedness plans, flood control works, and floodplain management regulations.

**Floodproofing Certificate**--In certain circumstances, floodproofing certificates can be issued as an alternative to elevating structures to or above the base flood elevation.

**Flood Zone**--See SFHA. Zones that begin with the letters V and A are in the SFHA. Zones B, C, D, or X are within the floodplain but not in the SFHA and, therefore, are not considered to be areas requiring flood insurance for structures located in those areas.

**Flood Zone Determination Vendor**--An organization that makes zone determinations on individual properties and monitors map changes.

**General Property Form**--See Standard Flood Insurance Policy--General Property Form.

**Government Sponsored Enterprises (GSEs)** --Regulated by the Office of Federal Housing Enterprise Oversight of the Department of Housing and Urban Development (i.e., Federal National Mortgage Association (FNMA [Fannie Mae]), Federal Home Loan Mortgage Corporation (FHLMC [Freddie Mac]), and Government National Mortgage Association (GNMA [Ginnie Mae])).

**GSE**--See Government Sponsored Enterprises.

**Improved Real Estate**--real estate upon which a building is located.

**Letter of Map Amendment (LOMA)**--An amendment to the currently effective FEMA map, which establishes that a property is not located in an SFHA. A LOMA is issued only by FEMA.

## Federal Emergency Management Agency

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**Letter of Map Changes**--FEMA publishes this update of all LOMAs and LOMRs twice monthly, charging \$2,000 for annual subscriptions.

**Letter of Map Revision (LOMR)**--An official amendment to the currently effective FEMA map. It is issued by FEMA and changes flood zones, delineations, and elevations.

**Loan Portfolio**--A collection of loans held for servicing or investment.

**LOMA**--See Letter of Map Amendment.

**LOMR**--See Letter of Map Revision.

**Manufactured (Mobile) Home**--A building transportable in one or more sections, which is built on a permanent chassis and is designed for use with or without a permanent foundation when attached to the required utilities. The term "manufactured (mobile) home" does not include a "recreational vehicle."

**Map Panel Number**--Four-digit number followed by a letter suffix assigned by FEMA on a flood map. The first four digits represent the map panel, and the letter suffix represents the number of times the map panel has been revised.

**Map Revision**--A change in the Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM) for a community that reflects revised zone, base flood, or other information. The FHBM or FIRM for a community may be changed after its initial publication. A revised map will show the revision date, but the date used to determine Pre-Flood Insurance Rate Map and Post-Flood Insurance Rate Map construction is still the effective date of the initial FIRM.

**Mobile Home**--See Manufactured (Mobile) Home.

**Mortgage Portfolio Protection Program (MPPP)**--A program designed to assist lending institutions to maintain compliance with the Flood Disaster Protection Act of 1973, as amended by the 1994 Reform Act. Policies written under the MPPP can be placed only through a WYO Company.

**National Credit Union Administration**--This Federal agency regulates credit unions that are federally insured.

**National Flood Insurance Program (NFIP)**--A program intended to make insurance available on a nationwide basis through the cooperative efforts of the Federal Government and the private insurance industry and to encourage state and local governments to exercise sound floodplain management to reduce losses caused by flood.

**NFIP Bureau and Statistical Agent**--The entity that contracts with the Federal Insurance Administration to be the focal point of support operations for the NFIP.

**NFIP Servicing Agent**--The entity that contracts with the Federal Insurance Administration to service direct insurance policies.

**Nonparticipating Community**--An area that has been determined by the Federal Insurance Administration to be in an SFHA, but chooses not to participate in the NFIP.

**Nonresidential**--Includes, but is not limited to, small business concerns, churches, schools, nursing homes, farm buildings (including grain bins and silos), poolhouses, clubhouses, recreational buildings, government buildings, mercantile structures, agricultural and industrial structures, warehouses, and hotels or motels with normal room rentals for less than 6 months' duration.

**Office of the Comptroller of the Currency (OCC)**--This entity regulates approximately 3,000 national banks under the Department of the Treasury.

**Office of Thrift Supervision (OTS)**--This body regulates Federal and state savings associations, savings banks, their wholly-owned subsidiaries, and savings and loan holding companies. Under the Department of the Treasury, the OTS regulates approximately 1,500 savings institutions.

**One-Hundred Year Flood (100-Year Flood)**--Any flood zone that begins with the letter A or V is designated as having a flood level with a 1 percent or greater chance of being equaled or

exceeded in any given year. These high-risk zones are also known as Special Flood Hazard Areas (SFHAs). Over the life of a 30-year loan, there is a 26 percent chance of experiencing such a flood within an SFHA.

**Participating Community**--A community for which the Administrator has authorized the sale of flood insurance under the NFIP.

**Post-FIRM Construction**--Construction or substantial improvement that started on or after the effective date of the initial FIRM of the community **or** after December 31, 1974, whichever is later.

**Preferred Risk Policy**--In January 1989, the NFIP began offering a low-cost preferred risk policy to homeowners for structures located in flood zones B, C, and X.

**Pre-FIRM Construction**--Construction or substantial improvement that started on or before December 31, 1974, **or** before the effective date of the initial FIRM of the community, whichever is later.

**Probation**--FEMA has established a probation procedure to formally notify a community that its floodplain management program is regarded by FEMA as noncompliant with NFIP requirements. A community on probation can be suspended from the NFIP if it fails to take the actions necessary to bring its floodplain management program into compliance.

**Real Estate Settlement Procedures Act of 1974 (RESPA)**--Prescribes rules concerning payment and disclosure of settlement service charges. HUD's implementing Regulation Z includes as a "settlement service" the provision of services involving hazard, flood, or other casualty insurance.

**Regular Program**--The phase of a community's participation in the NFIP where more comprehensive floodplain management requirements are imposed and higher amounts of insurance are available based upon risk zones and elevations determined in a flood insurance study. The FIRM is the map used in this phase of the NFIP.

**Regular Program Community**--A community wherein a FIRM is in effect and full limits of coverage are available under the Act.

**Remapping**--This is what FEMA does every 5 years in order to keep abreast of the natural changes in floodplains or floodways. Results of FEMA's remapped territories are published regularly in 6-month compendiums.

**Repetitive Loss Structure**--A structure covered by a contract for flood insurance under this title that has incurred flood-related damage on two occasions during a 10-year period ending on the date of the event for which a second claim is made, in which the cost of repair, on the average, equaled or exceeded 25 percent of the value of the structure at the time of each such flood event.

**Replacement Value**--Indemnification for the full cost of repair or replacement without deduction for depreciation.

**Residential Condominium Building Association Policy (RCBAP)**--A policy designed to insure, under one policy, the entire condominium building, including all units within the building.

**Residential Condominium Building**--A building owned by the members of a condominium association containing one or more residential units and in which at least 75 percent of the floor area within the building is residential.

**Residential Improved Real Estate**--Improved real estate for which the improvement is a residential building.

**Section 1316 Properties**--A section of the National Flood Insurance Act of 1968 (sec. 4023 of 42 U.S.C.), which states that no new flood insurance coverage shall be provided for any property the Administrator finds has been declared by a duly constituted state or local zoning authority or other authorized public body to be in violation of state or local laws, regulations, or ordinances that are intended to discourage or otherwise restrict land development or occupancy in floodprone areas.

**Servicer**--The entity responsible for receiving scheduled, periodic payments from a borrower under the terms of a loan, including principal, interest, and any other payments as may be required under the terms of the loan. The servicer may also be the lender.

**SFHA**--See Special Flood Hazard Area.

**Small Loan**--Any loan having an original principal balance of \$5,000 or less and a repayment term of 1 year or less.

**Special Flood Hazard Area (SFHA)**--Darkly shaded area on a Flood Hazard Boundary Map (FHBM) or a Flood Insurance Rate Map (FIRM) that identifies an area of having a 1 percent chance of being flooded in any given year (100-year floodplain). Over a 30-year period, the life of most mortgages, there is at least a 26-percent chance that this area will be flooded. The FIRM identifies these shaded areas as FIRM Zones A, AO, AH, A1-A30, AE, A99, V, V1-V30, and VE.

**Standard Flood Hazard Determination Form (SFHDF)**--FEMA's form 81-93, effective January 2, 1996, to be used by all companies performing determinations, in either printed, computerized, or electronic forms. A completed form or "certificate" is required in most loan files and is the primary "product" of most Flood Zone Determination companies.

**Stafford Act**--Precludes further disaster relief benefits on property where the owners have not obtained and maintained the required flood insurance coverage after receiving Federal assistance for repairs to property damaged by initial flooding.

**Standard Flood Insurance Policy-Dwelling Form**--Policy issued to insure a building and/or residential contents on a single family or a 2-4 family dwelling. The Dwelling Form also applies to a separately insured building that services a single family or 2-4 family dwelling, such as a garage with an apartment.

**Standard Flood Insurance Policy-General Property Form**--Policy issued to insure a building and/or contents on other residential or non-residential buildings.

**Standard Flood Insurance Policy-Residential Condominium Building Association Policy**--Policy issued to insure residential condominium buildings, i.e., those buildings wherein at least 75 percent of the total flood area within the building is residential, and which are located in Regular Program communities.

**State-Owned Property**--Property that does not require flood insurance if it is covered under an adequate State policy of self-insurance satisfactory to the Director of FEMA.

**Suspension**--Removal of a participating community from the NFIP because the community has not enacted and/or enforced the proper floodplain management regulations required for participation in the NFIP.

**Table Funding**--Typically, a loan transaction where the party providing the funding ordinarily reviews and approves the credit standing of the borrower and issues a commitment to the broker to purchase the loan at the time the loan is originated.

**Tentative Rates**--Unpublished NFIP rates used to issue policies for applications that fail to provide the NFIP with valid actuarial rating information.

**Third-Party Determinators**--Vendors who, for a fee, determine the zone classification of a property. If a lender/servicer uses one of these companies for flood zone determinations, the results must be guaranteed for accuracy. (See Flood Zone Determination Vendor.)

**Time Shares**--Property interests that generally fall into one of two categories, either (1) fee or real estate ownership, or (2) non-fee interest, such as the right to use. A timeshare organized on a fee simple basis is eligible for the RCBAP policy. A non-fee simple timeshare can obtain the GP form. Different policy coverage applies according to property interest.

**Tripwire**--An action that alerts lenders and servicers to comply with flood insurance requirements in the case of the making, increasing, extending, or renewing of a loan, or the transfer of a loan to a GSE.

**Waiting Period**--The time between the date of application and the policy effective date.

## **Mandatory Purchase of Flood Insurance Guidelines**

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**Write Your Own (WYO) Program**--A cooperative undertaking between insurers and the Federal Insurance Administration begun in October 1983. The WYO Program operates within the context of the NFIP and involves private insurance carriers who issue and service NFIP policies.

**WYO Vendor**--An organization employed by certain WYO carriers to conduct support

operations to procure, produce, and handle NFIP claims on behalf of the insurer.

**Zone**--A geographical area shown on a Flood Hazard Boundary Map (FHBM) or a Flood Insurance Rate Map (FIRM) that reflects the severity or type of flooding in the area.